

VZCZCXR08329  
RR RUEHPA  
DE RUEHOS #0224/01 0461507  
ZNY CCCCC ZZH  
R 151507Z FEB 06  
FM AMCONSUL LAGOS  
TO RUEHC/SECSTATE WASHDC 6583  
INFO RUEHZK/ECOWAS COLLECTIVE  
RUEHUJA/AMEMBASSY ABUJA 6909  
RUEHBJ/AMEMBASSY BEIJING 0071  
RUEHLO/AMEMBASSY LONDON 0520  
RUEHFR/AMEMBASSY PARIS 0383  
RUEHRO/AMEMBASSY ROME 0992  
RUEHCN/AMCONSUL CHENGDU 0005  
RUEHGZ/AMCONSUL GUANGZHOU 0015  
RUESLE/AMCONSUL SHANGHAI 0017  
RUEHSH/AMCONSUL SHENYANG 0005  
RUCPDOC/DEPT OF COMMERCE WASHDC  
RHEBAAA/DEPT OF ENERGY WASHINGTON DC  
RUEATRS/DEPT OF TREASURY WASHDC  
RHEFDIA/DIA WASHINGTON DC  
RUEAIIA/CIA WASHINGTON DC  
RUEKJCS/SECDEF WASHINGTON DC

C O N F I D E N T I A L SECTION 01 OF 02 LAGOS 000224

SIPDIS

SIPDIS

E.O. 12958: DECL: 02/14/2016

TAGS: ECPS ECON EINV EIND PGOV CH NI

SUBJECT: TELECOM UPDATE:SLOW MOVEMENT TOWARD UNIFIED  
LICENSING POLICY

REF: A. 05 LAGOS 924  
      1B. 05 LAGOS 1531

LAGOS 00000224 001.2 OF 002

Classified By: Consul General Brian L. Browne for reasons  
1.4 (B/D)

-----  
Summary  
-----

¶1. (C) Telecom operators are negotiating with the Nigerian Communications Commission (NCC) to implement a unified licensing policy allowing both fixed wireless and mobile licensees to provide services for voice, data and multimedia. Fixed Wireless (FW) operators are pressing for the unified policy so they can offer mobile services to customers. However, telecom experts remain unconvinced the policy would reduce the dominance of the big four Global System of Communication (GSM) operators or prevent them from acquiring or pushing most FW operators out of the market. As Nigeria's mobile telephone subscribers climb over the 20 million level, Chinese telecom equipment and service provider Huawei Technologies is greatly expanding its Nigerian operations.  
End Summary.

-----  
Background  
-----

¶2. (U) The NCC announced last February plans to introduce a unified licensing regime by February 2006. Under this policy, existing GSM operators (MTN, Vmobile, Globacom, and Mtel) could offer fixed wireless and fixed line services, while FW operators (Starcomms, MTS, Multilinks, and Interellular) could offer mobile services. FW operators which offer code division multiple access (CDMA) technology, would no longer be confined to specific geographic areas, but could offer services nationwide, putting them in more direct competition with GSM providers (reftel). The NCC is currently working with telecom operators to discuss

implementation of a unified licensing regime. Under the new regime, an operator can choose from a menu of different services, and then pay the NCC according to services the operator has selected to provide the public. In order to qualify, operators must 1) have an existing and operating network infrastructure 2) a minimum subscriber base of 10,000 connected subscribers and 3) pay naira 260 million (USD 2 million) for national mobility privileges.

-----  
GSM Operators Still Reign Supreme;  
Unified Licensing Unlikely to Start in March  
-----

¶3. (SBU) Sales Manager Prakash Pantham of Starcomms, one of the largest Fixed Wireless telecom operators in Nigeria, predicted the NCC's unified licensing policy would not significantly change the telecommunications landscape. He forecasted the four major GSM operators will maintain their dominance, and eventually consume or push out the smaller FW operators. Pantham said acquisition of a unified license by an FW operator would be a welcome development for a firm, but FW operators face a more fundamental challenge in increasing transmission spectrum, which is currently limited to specific geographic regions. Assignment of transmission spectrums to FW operators is on a regional basis, so operators like Starcomms cannot compete with GSM operators nationally. Moreover, MTN Network Group and Financial Control Manager Olawole Obasunloye stated, moreover, FW operators using CDMA spectrum do not have the resources necessary to purchase a GSM spectrum, and no GSM operator would voluntarily sublease their spectrum to an FW operator. Vmobile Chief Regulatory Officer J.P. Snijders said the GSM operators remain in the enviable position of shaping the rules of the game, and this likely will not change in the foreseeable future.

LAGOS 00000224 002.2 OF 002

¶4. (C) NCC Lagos Zonal Controller Dr. Henry Nkemadu said the NCC is scheduled to issue licenses in early March, but full implementation of the unified licensing regime would take considerably more time. He cited Nitel privatization efforts, and on-going discussions with telecom operators as reasons for delays. Industry experts acknowledge the NCC is under considerable "pressure" to implement the new regime, but thought it was still several months in the horizon.

-----  
20 Million Subscribers and Rising  
-----

¶5. (SBU) Nkemadu asserted that the telecom sector continued to grow rapidly. He estimated over 20 million active mobile telephone subscribers in Nigeria. MTN claimed eight million subscribers, Vmobile and Globacom respectively claimed about five million each, and Mtel over one million. Industry experts claim the number of mobile subscribers increased monthly by an average of three hundred thousand subscribers per company. Nkemadu said the targeted market for Nigeria is 40-50 million total subscribers within the next five years.

-----  
Chinese Firm Huawei Grows Revenue 200 Percent in a Year  
-----

¶6. (C) Seeing this market expansion, Chinese firm Huawei Technologies has tried to keep pace by greatly expanding its operations in Nigeria. Obasunloye said Huawei provided 40% of MTN's base transceiver stations (BTS), up from 30% last year, while Ericsson now provided 60%. Snijders said Huawei provided almost half of all GSM radio networks for Vmobile, and 100% of Vmobile's radio networks in northern Nigeria.

¶7. (C) Huawei Technologies Senior Account Manager Walter Ji Rengui, said Huawei's sales revenue in 2005 was USD 600 million, a 200 percent increase over 2004. He estimated

Huawei's sales revenue would reach USD 900 million this year.

The number of Chinese employees in Huawei's Lagos Branch office increased from 40 employees in 2004 to over 200 in 2005, while the number of Chinese employees in Huawei's Abuja branch office increased from 40 in 2004 to 70 in 2005, he said. Rengui said although Huawei's USD 7 million training facility was in Abuja, Huawei's main operational focus was southern Nigeria, particularly Port Harcourt, Enugu, and Onitsha. The Lagos Branch was also active in South-West Nigeria, particularly Ibadan, he said.

8 (U) Huawei is facilitating a USD 20 million loan from the China Development Bank to Nigerian-based private telecom operator ReltelWireless. Industry experts predict this will position the operator as the largest fixed line operator in the country.

-----  
Comment  
-----

¶ 9. (C) Competition in the telecom sector will remain stiff, but unified licensing policy will not appreciably shift the balance of power from GSM operators to FW operators. In fact, it may exacerbate the GSM operators' advantages. When unified licensing is implemented, consumers are likely to benefit from reduced costs for subscriber identification module (SIM) cards and air time which, in turn, will probably open the door to an increase in the overall subscriber base. Last, from what we can discern, the Chinese seem committed to being very active in the telecom sector as part of an overall policy of forging close economic ties with Africa's most populous nation. End Comment.

BROWNE